

Message Text

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FOR MYERSON

FOLLOWING REPEAT LONDON 15027 ACTION SECSTATE INFO MTN
GENEVA EC BRUSSELS MOSCOW TOKYO CANBERRA OTTAWA NEW DELHI
CAIRO BRASILIA 29 SEPT

QUOTE

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MOSCOW FOR UNDER SECRETARY ROBINSON
DEPT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: IWC PREP GROUP: -THIRD SESSION SEPT 29

REF: STATE 223609

1. SUMMARY: SEPT 29 MEETING WAS DEVOTED ENTIRELY TO
MINUTE EXAMINATION OF US GRAIN RESERVES PROPOSAL, DURING
WHICH ALL MAJOR POTENTIAL PARTICIPANTS FOUND OPPORTUNITY
TO VENT THEIR SPECIAL CONCERNS. CANADA, AUSTRALIA, EC,
JAPAN, INDIA AND EGYPT WERE ACTIVE PARTICIPANTS. USSR
WAS PRESENT BUT SAID NOTHING AFTER OPENING REMARK WELCOM-
ING EXPOSITION OF US THINKING. SWEDEN AND ARGENTINA
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PLAYED ACTIVE PART, WHILE BRAZIL ALONE AMONG KEY IWC

MEMBERS WAS NOT REPRESENTED. US REPLIES DURING INTENSIVE BUT FRIENDLY, INTERROGATION REFLECTED PAST TEN MONTHS OF INTER-AGENCY ANALYSIS AND EMPHASIZED NEGOTIABILITY OF DETAILS OF PROPOSAL. MEETING CONTINUES SEPT 30 TO CONSIDER INDIAN AND SECRETARIAT PAPERS ON ASPECTS OF RESERVES ISSUE AND TO PLAN NEXT STEPS. END SUMMARY.

2. MORNING MEETING OPENED WITH US GRAIN RESERVES PROPOSAL AS FIRST SUBSTANTIVE ITEM. USDA'S BELL EXPRESSED APPRECIATION FOR CONVENING OF THIRD PREP GROUP SESSION AND NOTED THAT NEARLY ONE YEAR HAD PASSED SINCE WORLD FOOD CONFERENCE ASSIGNED HIGH PRIORITY TO DEVELOPMENT OF FOOD SECURITY SCHEME BUT THAT SUCH SCHEME HAD NOT YET REACHED CONCLUSIVE STAGE. STATE'S KATZ INTRODUCED PROPOSAL BY SUMMARIZING, IN PREPARED STATEMENT, US PAPER CIRCULATED BY IWC SECRETARIAT. CROSS SECTION OF MAJOR PARTICIPANTS THEN MADE POINTS REFLECTING THEIR NATIONAL PRIORITIES.

3. AUSTRALIA, INDIRECTLY, AND CANADA, DIRECTLY, SAID THAT PRICE SHOULD BE TAKEN INTO ACCOUNT IN TRIGGER FOR RELEASE AND ACQUISITION OF RESERVES, ARGUING THAT PRICE STABILITY IS ALSO AN ASPECT OF FOOD SECURITY. BOTH WERE CONCERNED ABOUT POSSIBLE PRICE DEPRESSING EFFECTS OF: A) LARGE RESERVES, AND B) SUSTAINED FULL PRODUCTION. AUSTRALIA ALSO NOTED CONTRAST BETWEEN US PROPOSAL FOR WHAT COULD BE DISTINCT AGREEMENT ON RESERVES AND PRECIOUS EMPHASIS OF PREP GROUP ON RESERVES AS ONE ELEMENT IN NEW WHEAT AGREEMENT.

4. EC REP (JACQUOT) WELCOMED US PROPOSAL, ALLUDING TO ITS LENGTHY GESTATION, NOTED VIEW EC EXPRESSED AT FIRST PREP GROUP SESSION THAT FOCUS ONLY ON ASSURANCE OF SUPPLY WAS TOO NARROW BECAUSE IT OMITTED PRICE CONSIDERATIONS, AND SUGGESTED PARA BY PARA EXAMINATION OF US PAPER.

5. JAPAN RAISED HOST OF TECHNICAL QUESTIONS OUT OF WHICH EMERGED ITS TRADITIONAL CONCERN FOR ASSURANCE OF SUPPLY

AND PRICE STABILITY AND ITS UNEASE AT CONTINUING LIMITED OFFICIAL USE

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US REFERENCES TO ASSISTING LDCS TO MEET RESERVE OBLIGATIONS.

6. USSR WELCOMED US PAPER AS CONCRETE EXPRESSION OF ITS THINKING BUT NOTED THAT PAPER HAD BEEN RECEIVED ONLY ONE WEEK BEFORE MEETING AND REQUIRED FURTHER STUDY BY SOVIET AUTHORITIES.

7. EGYPT AND INDIA STRESSED NEED FOR SPECIAL ASSISTANCE TO LDCE (INDIA HAS ALSO TABLED PAPER ON TWO-TIER PRICING TO BE DISCUSSED TOMORROW), ARGUED FOR PRICE GUARANTEES TO IMPORTERS, AND ASKED ABOUT CONTENT OF PREFERENCES TO BE ENJOYED BY RESERVE PARTICIPANTS. EGYPTIAN REP FIRST ALLUDED TO NEED TO INCLUDE COARSE GRAINS IN RESERVE, BECAUSE OF THEIR FOOD USE IN SOME LDCE, BUT LATER RETURNED TO INSISTING ON WHEAT ONLY RESERVE. INDIA FAVORED BROAD COMMODITY COMPOSITION.

8. IN RESPONSE, US NOTED THAT DETAILS OF KEY ELEMENTS OF RESERVES SYSTEM ARE ALL SUBJECT TO NEGOTIATION, INCLUDING SIZE AND COMPOSITION OF RESERVES AND WORKING OF TRIGGER MECHANISM. PAPER'S EMPHASIS ON OPERATION OF SYSTEM IN SHORT SUPPLY CONDITIONS WAS DEFENDED IN TERMS OF THIS BEING PROBLEM RESERVES ARE DESIGNED TO AMELIORATE BUT US ALSO NOTED SIMILAR RULES WOULD GOVERN BOTH ACQUISITION AND RELEASE OF STOCKS. WITH REGARD TO TRIGGER MECHANISM, US SAID IT IS NOT WEDDED TO EXCLUSIVE PRODUCTION INDEX CONCEPT AND RECOGNIZES POSSIBLE ADVANTAGES TO INCLUDING STOCKS AS TRIGGER ELEMENT, SINCE STOCK LEVELS WOULD INTRODUCE CONSUMPTION ASPECT.

9. LENGTHY AFTERNOON MEETING WAS ABSORBED WITH FRIENDLY (AND SEEMINGLY SINCERE) QUESTIONING OF US ABOUT DETAILS OF ITS PROPOSAL IN PARA BY PARA EXAMINATION OF US PAPER. MOST ATTENTION GIVEN TO ISSUES OF DEFINING STOCKS (I.E. ACCOUNTING FOR RESERVES AS DISTINCT FROM WORKING STOCKS), RESPONSIVENESS OF US PROPOSED QUANTITATIVE TRIGGER TO PAST AND HYPOTHETICAL FUTURE SUPPLY SITUATIONS, BASIS FOR US CALCULATION OF SIZE OF RESERVE, INCIDENCE OF BURDEN SHARING CRITERIA FOR VARIOUS PARTICIPANTS, MECHANICS OF ADMINISTERING SYSTEM AND ITS RELATIONSHIP TO INTERNATIONAL LIMITED OFFICIAL USE

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AL WHEAT COUNCIL. IN RESPONDING, BELL AND KATZ DREW ON ANALYSIS AND CONCLUSIONS DEVELOPED IN INTERAGENCY DELIBERATIONS AND EMPHASIZED NEGOTIABILITY OF DETAILS OF AGREEMENT.

10. BY CONCLUSION OF MEETING IMPRESSION WAS THAT SUBSTANTIAL PROGRESS HAD BEEN MADE. SEVERAL DELEGATIONS EXPRESSED VIEW THAT US DELEGATION HAD COME THROUGH QUESTIONING IN GOOD FASHION. IT WAS STILL UNCLEAR HOWEVER AT WHAT PACE OTHER GOVERNMENTS PREPARED TO WORK. TIMING OF FURTHER CONSIDERATION AND NEGOTIATION WILL BE DISCUSSED TOMORROW. DECONTROL 9/29/77. RICHARDSON UNQUOTE KISSINGER

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